

“RETRENCHMENT RE-VISITED: STATE AND CAMPUS POLICIES IN TIMES OF FISCAL UNCERTAINTY”

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Background



- The coming decade for higher education in the United States is one of unprecedented opportunity coupled with significant leadership, policy, and fiscal challenges.
- The decade of prosperity of the 1990's has passed and has been replaced by fiscal uncertainty that parallels the “doom and gloom” era of the early 1980's.
- The ability of higher education to rise to the challenge of maintaining quality while promoting access will directly impact the future of countless generations of students.



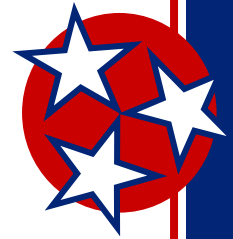
Changing Policy Landscape



- During the 1980's the golden age of expansion dissipated as both enrollment declines and recession brought an onslaught of criticisms towards academia.
- By the 1990's, state systems of higher education had settled into maturity, and the full effect of cost containment was evidenced across higher education, causing a reexamination of structure, programs, and mission.
- Higher education had reached a breakpoint (Jarman 1992). The traditional means of doing business, unilateral growth, was at question as states began to focus on performance measures as accountability became the dominant paradigm of educational/legislative relations.



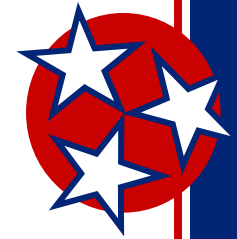
The Balancing Wheel



- During periods of economic downturn, higher education is one of the primary targets of state legislatures because of its perceived budgetary flexibility.
- Because higher education is funded in a lump sum fashion and has a unique funding source in student fees, it has historically absorbed a disproportionate share of budget cuts as state economic conditions fluctuate.
- Academia may now be at the tipping point (Concklin 2002) and retrenchment initiatives have once again become a significant issue for American colleges and universities.



Structural Inadequacies in a Changing Funding Environment

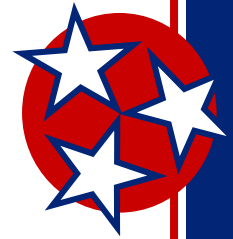


State and Local Surplus (or Shortfall) as a Percentage of Baseline Revenues In Year Eight of Fiscal Projections									
Rank	State	Percent		Rank	State	Percent			
1	Iowa	2.7	%	27	North Carolina	-3.7	%		
2	Nebraska	1.5			United States	-3.8			
3	North Dakota	0.9		28	Utah	-4.3			
4	Ohio	0.9		29	South Carolina	-4.6			
5	Kentucky	0.5		30	Vermont	-4.6			
6	Connecticut	0.4		31	Alabama	-4.8			
7	Michigan	0.4		32	South Dakota	-5.0			
8	New York	0.3		33	Indiana	-5.7			
9	Maine	0.1		34	Montana	-5.7			
10	Minnesota	0.1		35	Georgia	-6.5			
11	Massachusetts	0.0		36	Washington	-6.7			
12	Oregon	-0.1		37	Virginia	-6.8			
13	Illinois	-0.4		38	Colorado	-7.0			
14	Pennsylvania	-1.3		39	Maryland	-7.1			
15	West Virginia	-1.4		40	Texas	-7.8			
16	Wisconsin	-1.5		41	New Hampshire	-8.2			
17	Missouri	-1.8		42	Florida	-8.8			
18	Kansas	-1.9		43	Tennessee	-9.1			
19	Mississippi	-2.0		44	Arizona	-10.5			
20	Oklahoma	-2.1		45	Wyoming	-10.6			
21	Arkansas	-2.3		46	New Mexico	-12.0			
22	Louisiana	-2.5		47	Idaho	-13.2			
23	California	-2.8		48	Hawaii	-15.1			
24	Rhode Island	-2.9		49	Alaska	-16.4			
25	Delaware	-3.0		50	Nevada	-18.3			
26	New Jersey	-3.3							

Source: Hovey, State Spending for Higher Education, p. 10



Problems Large and Widespread



- FY 2002 budget gaps in 43 states, FY 2003 gaps in 40+
- Aggregate FY 2003 gap was at least \$49 Billion [revised]
- 14 states had FY 2003 gaps of 10% or more of budget

AK, AZ, CA, IA, KS,
MA, MN, MO, NJ, NY,
NC, OR, RI, VA

Source: NCSL



Higher Education: 3rd Largest State Spending Area



State Government Spending in Fiscal Year 2002

Category:	Expenditures in \$Billions			Category as % of Budget			Federal Funds as % of Total Funds
	State Funds	Federal Funds	Total	State Funds	Federal Funds	Total	
Elementary & secondary education	207.4	27.8	235.2	26%	10%	22%	12%
Medicaid	94.5	126.8	221.3	12%	43%	21%	57%
Higher education	106.1	14.7	120.8	14%	5%	11%	12%
Transportation	68.1	27.4	95.5	9%	9%	9%	29%
Corrections	38.8	0.9	39.7	5%	0%	4%	2%
Public assistance	12.6	10.8	23.4	2%	4%	2%	46%
Other	257.9	84.1	342	33%	29%	32%	25%
Total	785.4	292.5	1077.9	100%	100%	100%	27%

Notes: (1) Much of "state" spending is from tuition funds, (2) amounts are estimates of 2002 actuals

Source: State Expenditure Report 2001, National Association of State Budget Officers, Summer 2002



The Link Between Financial Conditions and Student Fees



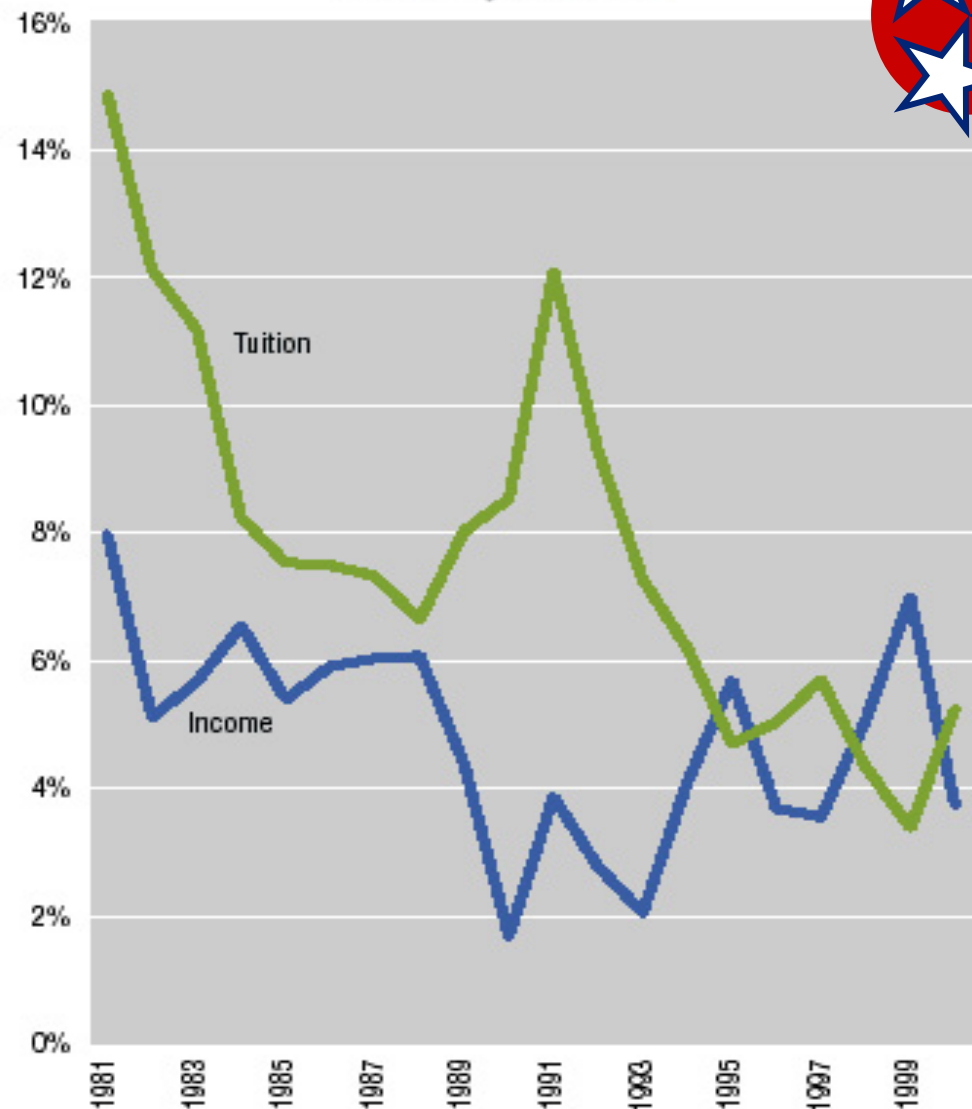
As noted in *Losing Ground* (Callan 2002), American higher education has reached a point when it can no longer look exclusively to student fees to offset declining state appropriations. Higher education must instead look internally and contain costs to ensure that education remains affordable to the majority of the nation's citizenry. Unless corrective measures are taken, the dream of receiving a college degree may become unrealistic for the majority of Americans.



Tuition Increases and Recessions

- Eroding cycle of affordability
- The steepest tuition increases have occurred when students and families are least able to pay.
- During economic downturns, appropriations to higher education are often the “balance wheel in state finance” and absorb large budgets.

Figure 7
Tuition at Public Colleges Has Increased
Most During Recessions



Percentage Change Since Previous Year in Average Tuition at Public Four-Year Colleges and in Median Family Income

Source: Washington Higher Education Coordinating Board; U.S. Census Bureau.



What Prompts Retrenchment?



- Experience has shown that declining enrollment and operating deficits most often prompt retrenchment.
- Retrenchment initiatives represent a rational response to increased costs associated with academe and decreased state support (Leslie 1990).
- Retrenchment policies are general centered on the goals of cost containment and resource re-allocation.
- Such policies are driven by the realization that the “supermarket” model of offering every major, often of spectacularly varying quality, is slowly being replaced on many campuses by a more selective “boutique” model that concentrated on those majors that an institution can adequately support.
- Institutions and states that engage in these activities must ensure that reduction and re-allocation fulfill two goals: the protection of the academic core and the protection of institutional integrity.



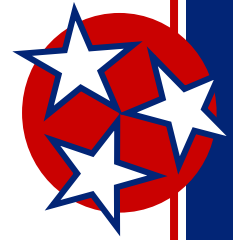
Opportunities for Mission Re-Classification



At their core, retrenchment decisions present institutions with an opportunity for mission re-examination and specificity. Discussions of protecting academic integrity and quality are often at the center of public debate. However, administrators rarely differentiate between the strategic goals of retrenchment and the tactical measures by which mission re-classification are actualized. Strategic issues are generally mission oriented and involve the coordination of the philosophic foundations of organizations. Because discussions of strategic issues are highly normative, they require considerable investments of time and administrative energy before implementation.



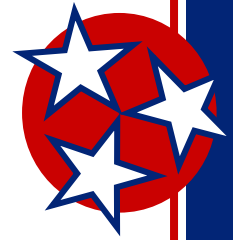
Faculty Productivity



- Retrenchment discussions are generally centered on increased productivity through increased student faculty ratios and the termination of low producing programs.
- One of the primary means by which institutions are able to realize efficiencies is to reduce the number of tenure-track faculty positions and replace them with inexpensive part-time adjunct faculty.
- Campuses cannot be expected to engage in academic pruning if they do not first enjoy autonomy to identify targets and to return identified resources for internal reallocation.
- Experience has demonstrated that successful retrenchment initiatives are aimed at resources reallocation rather than cost savings and budgetary reversions.



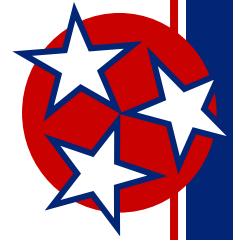
The Access v. Quality Debate



- Those institutions that strengthen a set of core programs/develop market niches are better able to recover from retrenchment than those that engage in enrollment growth to cover revenue loss.
- While enrollment growth produces short-term revenue gains through student fees, such growth taxes the physical and fiscal abilities of institutions to meet the diverse needs of a growing student population.
- “Rather than thinning the soup, institutions can no longer expand indefinitely and expect an ever-increasing share of state and federal budgets. Given the political winds of the day, the institution that reduces enrollment in a well publicized quest for quality probably will gain a superior financial position over the colleges that continue to pursue quantity” (Leslie and Ramey 1986: p. 18-19).



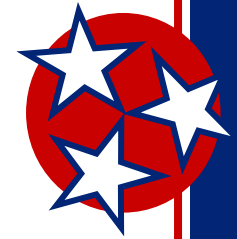
Challenges for Higher Education in Tennessee



- Educational Condition of Tennessee
- Projected Access Demands
- Limited State Support
- Increased Reliance on Tuition and Fees
- Increased Student Debt Burdens
- Graduate Production and Retention Rates
- Faculty Salaries



Educational Attainment among SREB States



Percentage of Population 25 or Older with a Bachelor's Degree (2000 Full Census)					
	1990	1995	1999	2000	% Change
United States	20.3%	23.0%	25.2%	24.4%	4.1%
SREB States	18.6%	19.9%	21.7%	22.4%	3.8%
Alabama	15.7%	17.3%	21.8%	19.0%	3.3%
Arkansas	13.3%	14.2%	17.3%	16.7%	3.4%
Delaware	21.4%	22.9%	24.0%	25.0%	3.6%
Florida	18.3%	22.1%	21.6%	22.3%	4.0%
Georgia	19.6%	22.7%	21.5%	24.3%	4.7%
Kentucky	13.6%	19.3%	19.8%	17.1%	3.5%
Louisiana	16.1%	20.1%	20.7%	18.7%	2.6%
Maryland	26.5%	26.4%	34.7%	31.4%	4.9%
Mississippi	14.7%	17.6%	19.2%	16.9%	2.2%
North Carolina	17.4%	20.6%	23.9%	22.5%	5.1%
Oklahoma	17.8%	19.1%	23.7%	20.3%	2.5%
South Carolina	16.6%	18.2%	20.9%	20.4%	3.8%
Tennessee	16.0%	17.8%	17.7%	19.6%	3.6%
Texas	20.3%	22.0%	24.4%	23.2%	2.9%
Virginia	24.5%	26.0%	31.6%	29.5%	5.0%
West Virginia	12.3%	12.7%	17.9%	14.8%	2.5%

TN ranked 10th in the SREB in 2000, an increase of one position over 1990.

To reach the average attainment level of our border states, we need to create 181,530 additional college graduates



Appropriations Trends

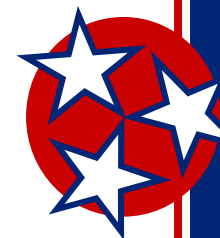


Trends in State and Local Operating Appropriations Per FTE at Public Colleges and Universities (adjusted for inflation)				
	Four-Year Colleges and Universities			
	1994-95	1999-2000	Change	Percent
SREB states	\$5,997	\$6,037	\$40	0.7
Alabama	5,777	4,871	-906	-15.7
Arkansas	5,451	5,618	167	3.1
Delaware	--	5,503	--	--
Florida	7,869	7,520	-349	-4.4
Georgia	6,427	7,562	1,135	17.7
Kentucky	5,083	5,025	-58	-1.1
Louisiana	3,908	3,803	-105	-2.7
Maryland	7,217	7,054	-163	-2.3
Mississippi	5,652	6,321	669	11.8
North Carolina	7,836	7,862	26	0.3
Oklahoma	4,753	5,204	451	9.5
South Carolina	5,498	5,367	-131	-2.4
Tennessee	6,633	5,330	-1,303	-19.6
Texas	6,261	6,133	-128	-2.0
Virginia	4,707	5,766	1,059	22.5
West Virginia	4,188	3,954	-234	-5.6

Source: SREB



Total Support per FTE – TN vs. Peers



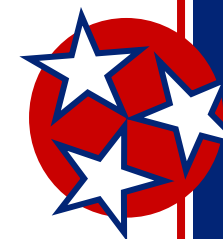
Student Support Analysis Compared to Peers

2000-01	Avg. Support per FTE	Avg. Support per FTE - Peers	Percent of Peer Avg.	Total Difference from Peers
APSU	8,008	9,050	88.5%	6,245,700
ETSU	8,614	9,079	94.9%	4,511,400
MTSU	7,759	9,376	82.8%	28,017,800
TSU	9,044	9,298	97.3%	2,048,300
TTU	8,871	9,036	98.2%	1,233,200
UM	10,121	11,184	90.5%	18,047,600
UTC	8,530	8,904	95.8%	2,804,300
UTK	11,826	12,966	91.2%	27,448,900
UTM	8,246	8,728	94.5%	2,650,500
Two Yrs.	5,665	5,882	96.3%	13,486,000
Totals				106,493,700

Source: Southern Regional Education Board



The Increasing Dependency on Tuition



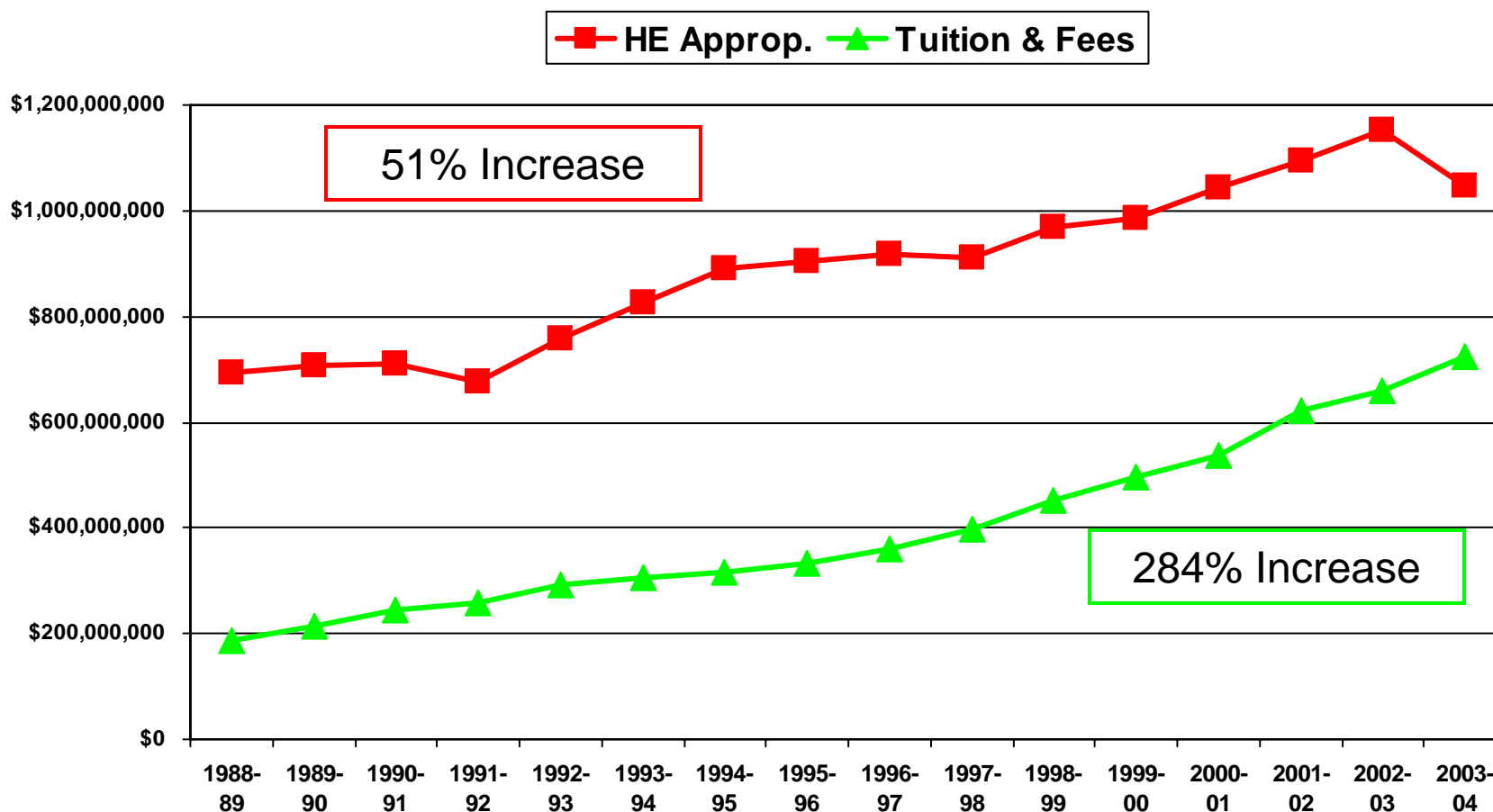
2000-01	Percent from Tuit./Fees	Peer Percent from Tuit./Fees
APSU	39.6%	32.8%
ETSU	39.9%	31.9%
MTSU	42.7%	30.9%
TSU	51.9%	31.7%
TTU	34.1%	32.7%
UM	40.7%	35.6%
UTC	38.5%	31.4%
UTK	43.0%	34.5%
UTM	40.5%	32.9%
Two Yrs.	32.2%	21.6%

- For 2000-01, a greater proportion of total operating expenses were accounted for by student fees in Tennessee than among peer institutions.



Shift in Source of Funds for HE

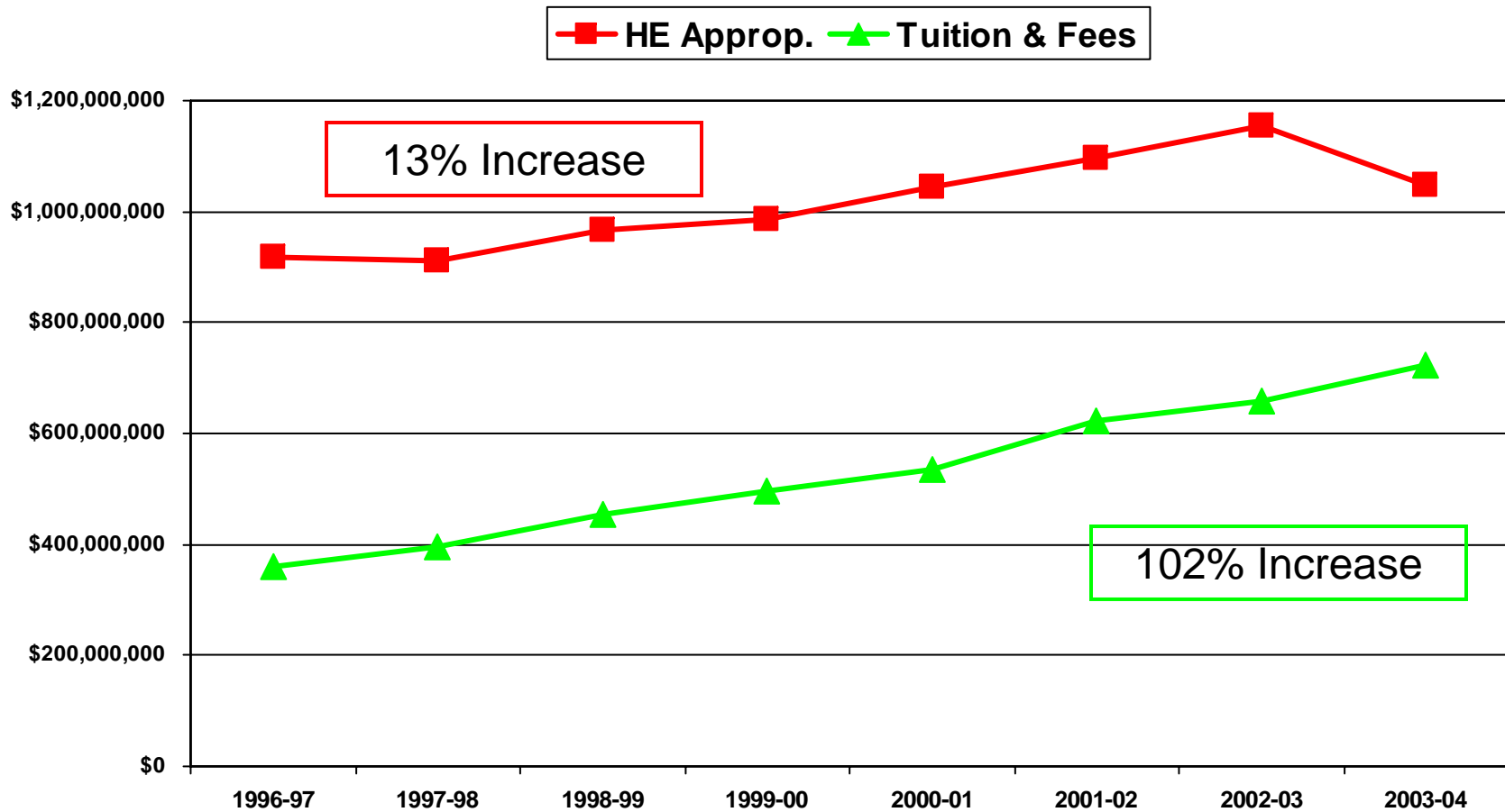
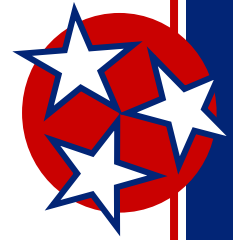
Tennessee, 1988-89 to present



Source: THEC, State Budget Document and Legislative Budget Analysis

Shift in Source of Funds for HE

Tennessee, 1996-97 to present

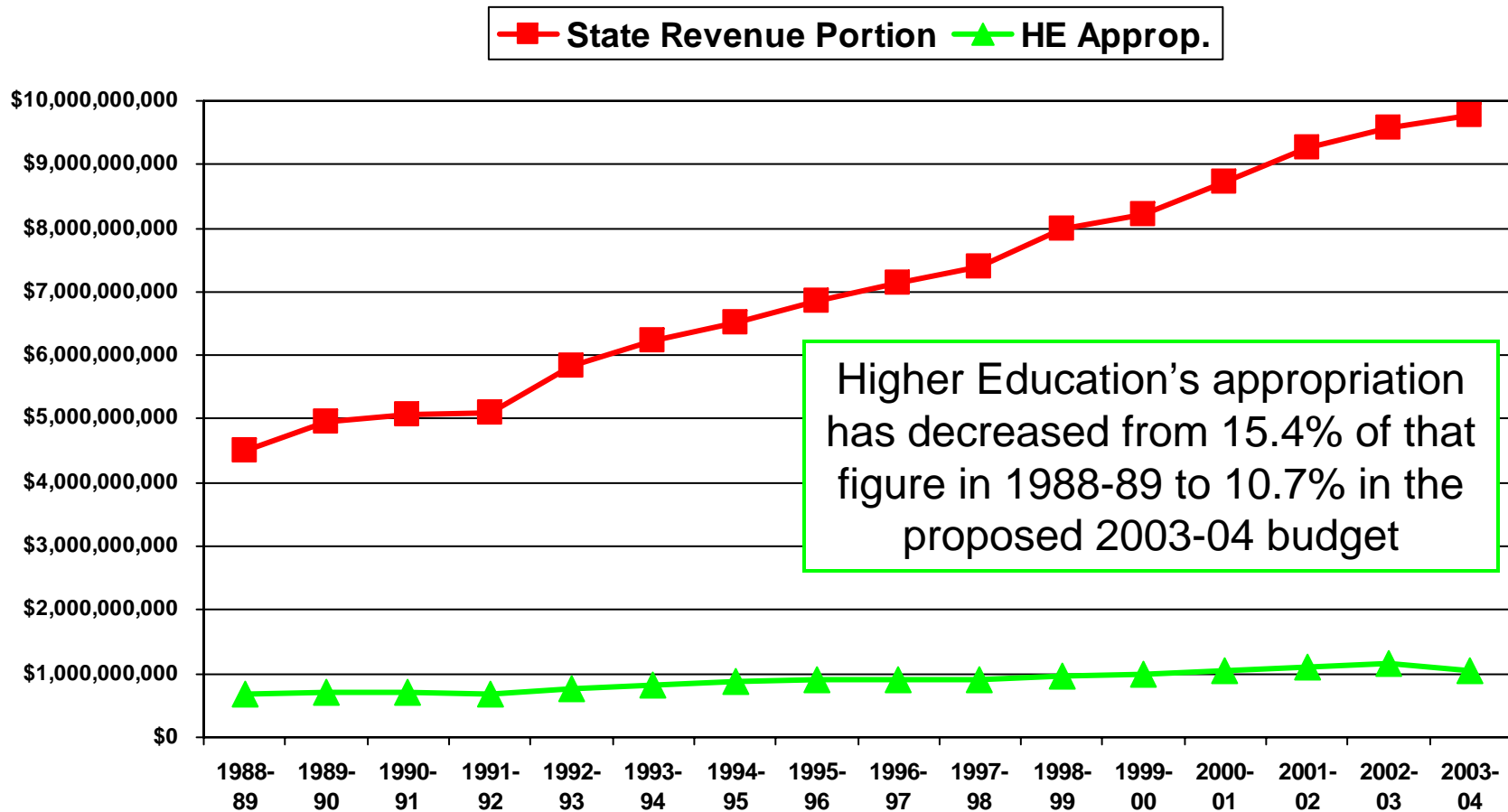
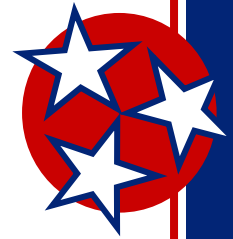


Source: THEC, State Budget Document and Legislative Budget Analysis



Higher Education's Portion

State Budget minus Federal & Other Sources

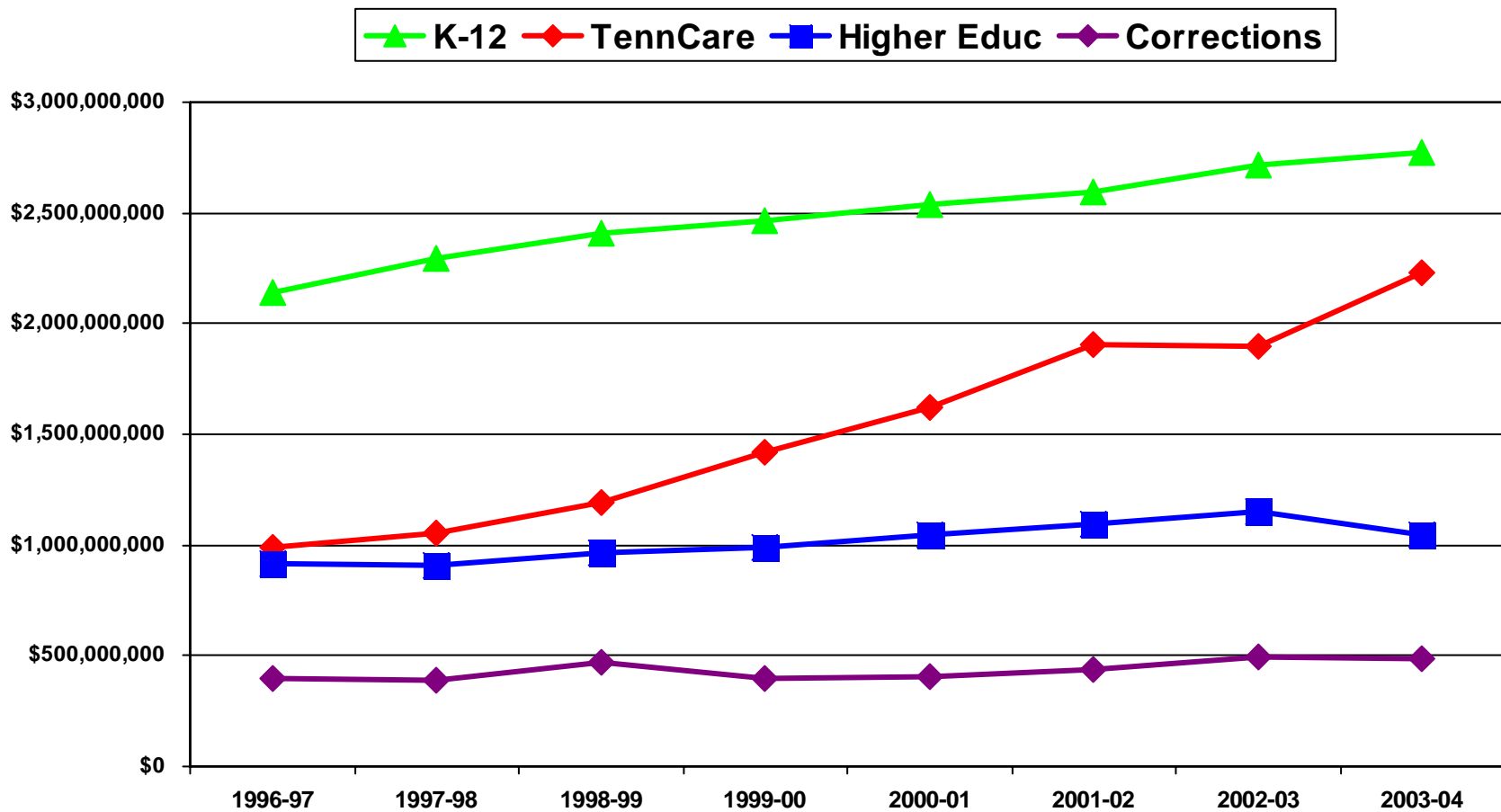
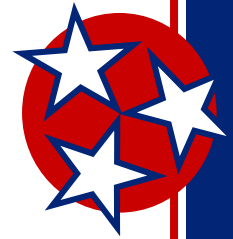


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Higher Education's Portion

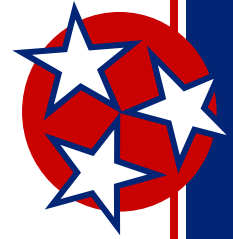
State Funds Appropriated to the Four Major Areas



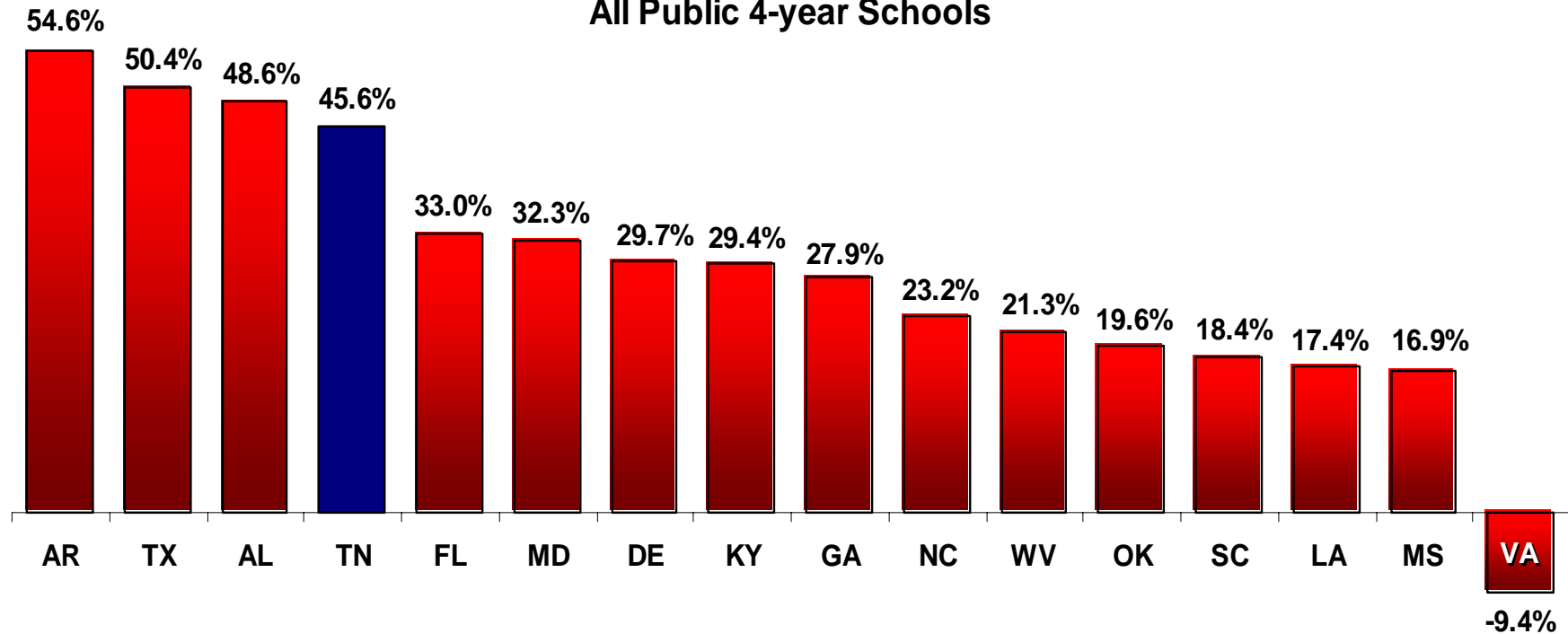
Source: THEC, State Budget Document and Legislative Budget Analysis



Impacts on Affordability



Percent Change from 95-96 to 00-01 in Median Tuition at
All Public 4-year Schools



Source: Southern Regional Education Board





Cost of Attendance - A Regional Overview

Cost of Attendance Comparisons 2000

State	Median Household Income	Tuition and Fees - 4 Year	Tuition and Fees - 2 year	Total Cost of Attendance - 4year
Alabama	\$34,135	8.9%	5.0%	22.7%
Arkansas	\$32,182	11.9%	3.2%	25.5%
Georgia	\$42,433	7.6%	3.5%	19.2%
Kentucky	\$33,672	9.8%	3.5%	22.9%
Mississippi	\$31,330	9.9%	3.4%	23.2%
North Carolina	\$39,184	7.0%	2.3%	20.0%
South Carolina	\$37,082	10.1%	3.5%	23.6%
Tennessee	\$36,360	10.1%	3.9%	22.8%
Virginia	\$46,667	8.4%	2.5%	20.6%



Graduation Rates in Tennessee



PERSISTENCE-TO-GRADUATION RATE COMPARISONS (6 YEAR RATES)

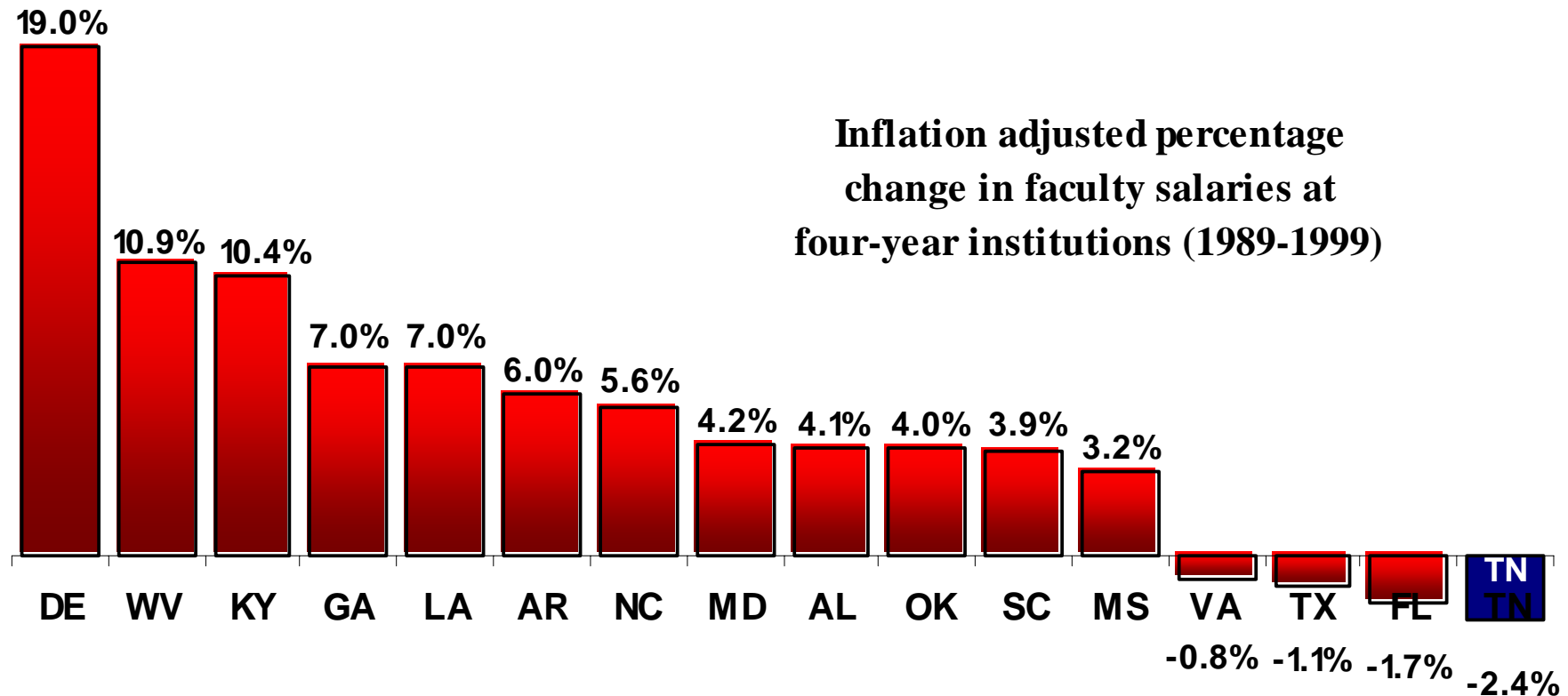
	Cohort Year					
	<u>TOTAL</u>	<u>1994 BLACK</u>	<u>WHITE</u>	<u>TOTAL</u>	<u>1995 BLACK</u>	<u>WHITE</u>
<u>TBR Universities</u>						
APSU	35.72%	28.85%	37.57%	36.05%	23.93%	38.42%
ETSU	41.89%	25.00%	43.02%	40.69%	26.25%	41.30%
MTSU	42.77%	30.59%	44.36%	40.16%	34.92%	41.42%
TSU	43.26%	44.02%	35.82%	47.34%	48.13%	35.09%
TTU	51.36%	28.57%	52.34%	49.14%	41.38%	49.72%
UM	35.92%	32.27%	37.10%	36.61%	30.47%	38.91%
Sub-total	41.82%	37.09%	43.36%	41.25%	39.67%	41.99%
<u>University of Tennessee</u>						
UTC	50.05%	49.71%	50.67%	50.24%	47.55%	50.44%
UTK	61.20%	46.10%	62.44%	63.93%	56.85%	64.15%
UTM	44.64%	36.99%	46.36%	46.53%	37.43%	48.50%
Sub-total	55.32%	44.17%	56.96%	57.87%	46.83%	58.90%
Total Universities	47.02%	38.74%	49.03%	47.92%	41.19%	49.52%



Faculty Salaries

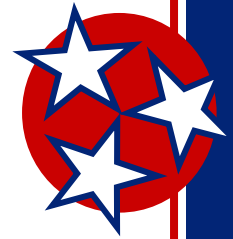


	<u>1991-92</u>	<u>1995-96</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-2000</u>
SREB	\$46,369	\$47,719	\$51,164	\$53,381	\$55,022
Tennessee	48,003	47,638	49,490	49,698	51,806
<i>TN's Position</i>	3.4% above	0.2% below	3.3% below	6.8% below	6.2% below



Retrenchment Decision in Tennessee

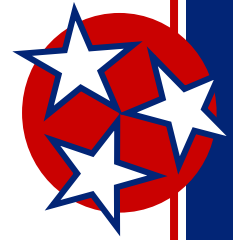
Fiscal Assumptions



- I. There will be no substantial increases in operating expenses in 2002-03 and subsequent years.
- II. There should be no substantial increases in student fees in 2002-03.
- III. There will be increases in fixed costs that will further erode all operating budgets, especially those of the non-formula units.
- IV. Funding will not be available for new capital projects, or major renovations.
- V. Limited funding will be available for capital maintenance.
- VI. Limited improvements will be made in support of the TSAC grant program.



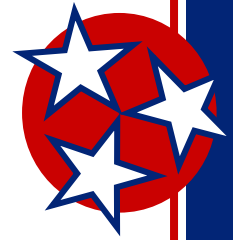
The Plan of Action for Tennessee Higher Education: Recommendations



1. The development of formal enrollment ranges for the four-year institutions.
2. Revision of institutional admissions standards.
3. Removal of state appropriations for remedial coursework, and a reduction in appropriations for developmental instruction at the state's four-year institutions.
4. Removal of the moratorium on new academic programs by recommending additional program review evaluative criteria.
5. Limiting expenditures of E&G student fees and state appropriations for intercollegiate athletics.
6. Revision of the funding formula.
7. Removal of the moratorium on new off-campus instructional activity concurrent with a new set of screening criteria.
8. Termination of several associates programs at the university level.
9. Initiation of external peer review of Engineering/Engineering Technology and Agriculture/Human Ecology programs.



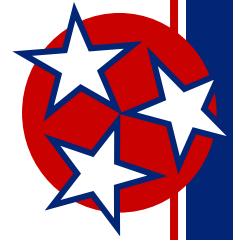
Enrollment Management



- THEC recommended the establishment of enrollment ceilings for the universities effective based upon actual 2001-02 FTE enrollment, and provide for a maximum enrollment growth of 5% over the base. Institutions would be able to reduce their enrollment by up to 10% and will be held harmless for this reduction.
- To ensure the stability and equity of institutional funding, it was recommended that any campus enrollment exceeding the ceiling not be included in the funding formula, and that fee revenue generated by such enrollment be deducted from the appropriation recommendation.



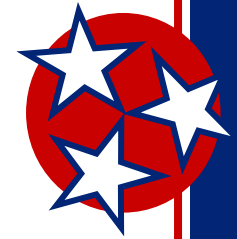
Program Review, Consolidation, and Termination



- THEC initiated a review of low producing and duplicative programs.
- THEC recommended that all programs below the baccalaureate level in the university sector, other than allied health, nursing, and those programs currently offered at the Fort Campbell facility, be phased out over a three-year period, effective with the Fall 2002 semester.
- Any savings made available via program termination and/or consolidation for deployment to areas of strategic need.



Remedial – Developmental Education



Remedial and Developmental Instructional Activity and Appropriations - FY 2001-02

Institution	Remedial		Developmental		Total	
	FTE	Cost	FTE	Cost	FTE	Cost
Austin Peay	56	\$149,155	303	\$798,191	358	\$947,346
East Tennessee	42	105,995	252	648,579	294	754,574
Middle Tennessee	40	105,130	508	1,387,355	548	1,492,485
Tennessee State	128	325,354	353	898,195	481	1,223,549
Tennessee Tech	25	62,056	170	429,508	194	491,564
University of Memphis	67	204,258	305	940,408	372	1,144,666
UT Chattanooga	0	0	174	453,785	174	453,785
UT Knoxville	0	0	18	58,726	18	58,726
UT Martin	0	0	175	451,323	175	451,323
TOTALS	358	\$951,948	2,258	\$6,066,070	2,616	\$7,018,018



The Firestorm . . . Athletics



TENNESSEE HIGHER EDUCATION COMMISSION ANALYSIS OF ATHLETIC GENERAL FUND SUPPORT

Institution	Fiscal Year 1998-99			Fiscal Year 1999-2000			Fiscal Year 2000-01		
	Total E&G	Athletic General Fund Support	Percentage	Total E&G	Athletic General Fund Support	Percentage	Total E&G	Athletic General Fund Support	Percentage
Austin Peay	\$45,309,440	\$1,749,537	3.9%	\$47,126,448	\$2,104,333	4.5%	\$50,046,100	\$1,859,549	3.7%
East Tennessee	83,580,420	2,341,684	2.8%	86,182,877	2,401,072	2.8%	90,122,900	2,780,300	3.1%
Middle Tennessee	124,381,413	2,758,705	2.2%	129,516,836	4,130,761	3.2%	143,859,200	4,856,000	3.4%
Tennessee State	71,812,608	2,448,666	3.4%	72,114,096	2,663,370	3.7%	83,837,200	3,467,380	4.1%
Tennessee Tech	63,948,010	2,291,682	3.6%	63,156,748	2,600,880	4.1%	67,487,000	2,803,170	4.2%
University of Memphis	174,710,016	2,401,003	1.4%	184,441,983	2,179,664	1.2%	200,976,100	3,763,386	1.9%
Subtotal TBR	\$563,741,907	\$13,991,277	2.5%	\$582,538,988	\$16,080,080	2.8%	\$636,328,500	\$19,529,785	3.1%
Chattanooga	\$29,988,279	\$154,515	0.5%	\$30,122,562	\$162,223	0.5%	\$32,497,500	\$150,000	0.5%
Cleveland	11,933,638	133,213	1.1%	12,119,425	150,585	1.2%	13,506,100	130,129	1.0%
Columbia	15,360,077	171,300	1.1%	15,529,538	180,132	1.2%	17,713,300	141,000	0.8%
Dyersburg	8,260,213	129,457	1.6%	8,266,481	145,731	1.8%	9,034,900	79,300	0.9%
Jackson	14,091,945	148,663	1.1%	14,417,954	155,263	1.1%	16,023,500	135,000	0.8%
Motlow	11,568,813	134,512	1.2%	12,007,729	134,721	1.1%	12,939,600	118,500	0.9%
Roane	20,938,075	147,713	0.7%	21,978,258	164,188	0.7%	24,018,800	115,500	0.5%
Southwest	49,445,082	199,106	0.4%	48,480,481	247,143	0.5%	53,082,700	195,000	0.4%
Volunteer	21,200,043	196,437	0.9%	21,811,100	186,868	0.9%	25,188,500	150,000	0.6%
Walters	21,090,012	162,404	0.8%	21,624,894	175,180	0.8%	23,874,500	147,400	0.6%
Subtotal 2-Year	\$203,876,177	\$1,577,320	0.8%	\$206,358,422	\$1,702,034	0.8%	\$227,879,400	\$1,361,829	0.6%
UT Chattanooga	\$63,639,857	\$2,835,571	4.5%	\$65,999,307	\$2,634,598	4.0%	\$68,614,312	\$2,623,950	3.8%
UT Martin	43,834,157	1,811,706	4.1%	45,197,374	1,825,251	4.0%	47,448,719	1,953,434	4.1%
Subtotal UT	\$107,474,014	\$4,647,277	4.3%	\$111,196,681	\$4,459,849	4.0%	\$116,063,031	\$4,577,384	3.9%
Total	\$875,092,098	\$20,215,874	2.3%	\$900,094,091	\$22,241,963	2.5%	\$980,270,931	\$25,468,998	2.6%



Funding Formula Revisions



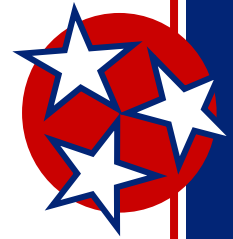
THEC recommended an immediate study and revision of the funding formula.

This review included the examination of the formula's primary reliance on enrollment, the development of new funding peers, and the possibility of creating "mission enhancement" features that recognize and strengthen the development of distinctive missions for each campus and that recognize campus performance in meeting state goals such as improved persistence and graduation rates.

While access should remain an underlying principle of the funding formula, increased emphasis should be placed on student success rather than admission.



Campus Perspective



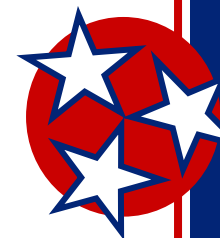
While recognizing the struggle to balance quality and access during a time of severe fiscal constraints, Austin Peay State University agreed in the spring of 2002 with the notion of responsible growth put forth by THEC but felt that institutional autonomy and regional economic development was (and will continue to be) threatened by the “one size fits all” approach to managing enrollment and budget growth.



CHART 1: Counties with Highest Percentage Growth Census 1990 to Census 2000

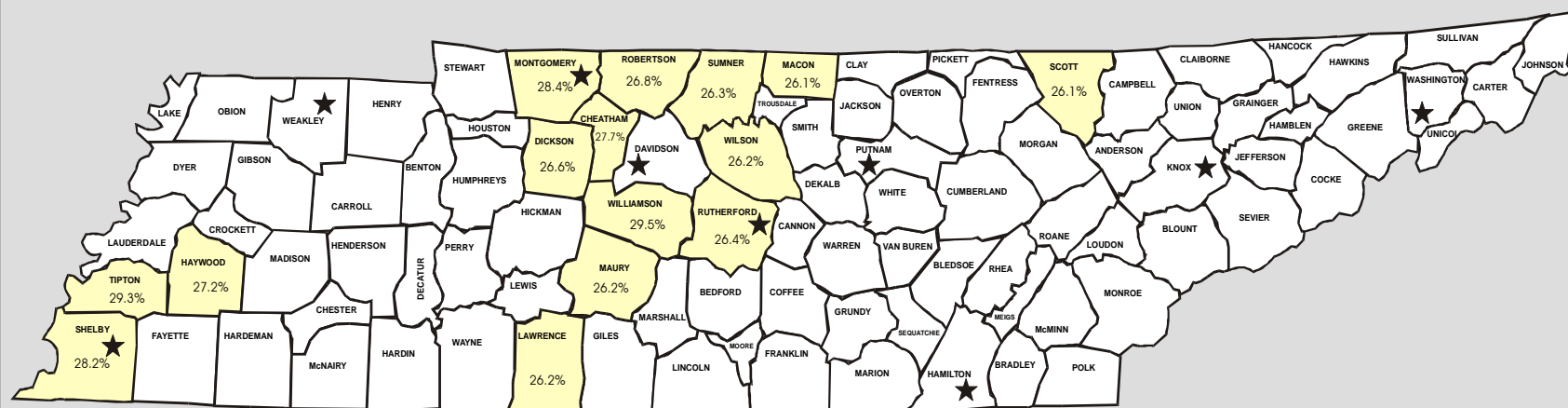
★ Location of Four-Year Institution
■ Fifteen Fastest Growing Counties

Source: Census Bureau, 2000 Census File, <http://www.census.gov>



Growth in K-12 in Region

CHART 3: Counties with Highest Percentage of Population Under Age of 18, Census 2000



★ Location of Four-Year Institution

■ Fifteen Counties with Highest % Ages 0-17

Source: Census Bureau, 2000 Census File, <http://www.census.gov>



APSU's Planning Assumptions

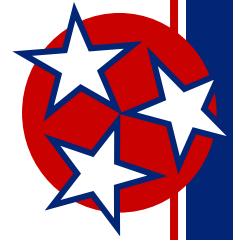


Several assumptions were made by the leadership of APSU as these plans were drawn. Assuming that no additional facilities would be available and state funding per FTE would either remain flat or decline, Austin Peay's capacity for change and growth is influenced by:

- Projected growth in overall population and in high school graduates in the northern middle Tennessee region
- Capacity based current faculty/student ratios and facilities utilization
- Current participation rates in counties served
- Extenuating factors such as the impact of Fort Campbell on enrollment patterns
- Commitment to increasing use of adjunct faculty while maintaining quality instruction
- Commitment to using existing faculty resources in a more efficient manner (i.e. slight increase in student-faculty ratio)
- Availability of increased tuition revenues as a result of any enrollment growth



Alternatives to Capping Enrollment



The APSU leadership team determined that calculating capacity based on current student-faculty ratios, availability of adjunct instructors, and decreased release time to existing faculty was more relevant to operations than one-size-fits-all caps on enrollment.



Right-Size Calculation

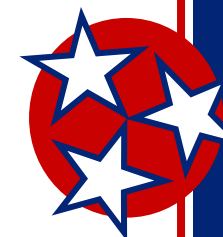
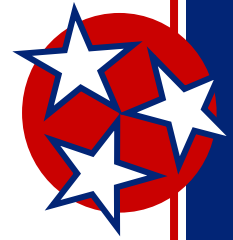


Chart 5: Right-Sizing Calculation within Available Faculty Resources				
Current APSU Figures	Actual Fall 2001			
	Faculty FTE	Faculty-Student Ratio	Actual FTE	Actual HC
	326	17.7	5,769	7,033
Based on Changes to Student-Faculty Ratios	Increase Student-Faculty Ratio from 17.7 to 20.2			
	Faculty FTE	Inc. to Faculty-Student Ratio	Additional FTE Possible	Additional HC Possible
	326	2.5	815	994
Based on Availability of Adjunct Instructors	Increase Adjunct Faculty FTE by 30			
	Adjunct Faculty FTE Added	Faculty-Student Ratio	Additional FTE Possible	Additional HC Possible
	30	20.2	606	739
Based on Decreased Release Time	Decrease Release Time by 10 Faculty FTE			
	Faculty FTE Added at No New Cost	Faculty-Student Ratio	Additional FTE Possible	Additional HC Possible
	10	20.2	202	246
APSU "Right Size" by 2007	Projected Capacity by 2007 Based Upon Implementation of the Three Policy Options			
	Faculty FTE	Faculty-Student Ratio	FTE	HC
	366	20.2	7,392	9,012



Criteria for Personnel Decisions



The following is a list of the criteria employed to develop a list of non-faculty positions and/or units that were at risk under the worst-case, budget scenario.

- Is this service or program critical to the mission of the university?
- Can the service or program be provided in another way or by different personnel?
- Will student services be significantly affected by terminating this service or changing the way it is delivered?
- Will affirmative action be significantly affected by terminating this service or changing the way it is delivered?
- Will accreditation be affected by terminating this service or changing the way it is delivered?
- What legal liability, if any, would be incurred if the service or program was discontinued?



Criteria for Personnel Decisions

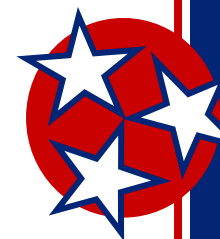


The following is a list of the criteria employed to develop a list of faculty positions that were at risk under the worst-case, budget scenario.

- Student credit hour (SCH) production with consideration to level of instruction
 - Three year trends in SCH production
 - Student-faculty ratios at lower, upper, and graduate levels
 - Student-faculty ratio targets within the THEC funding formula
- Accreditation requirements
- Availability of adjuncts within the region
- Affirmative action decisions
- Special consideration (not in ranked order)
 - Programs with only one full-time faculty member
 - Discipline specialty included in graduation requirements
 - Faculty with full-time, temporary experience in the department
 - Years of service in higher education faculty positions
 - Rank of faculty
 - Faculty reassignments to fill critical positions



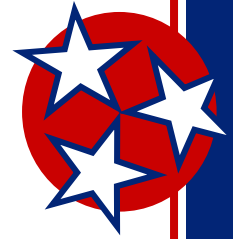
Conclusions



- Resource allocation decisions have dominated higher education planning since the 1980's. With fiscal constraints and heightened demands displaying a near universal force, many countries in addition to the United States have felt the challenge to strike a balance between strategic retrenchment and growth.
- Because of the high percentage of higher education expenditures devoted to personnel costs, this human resource dependent enterprise has few options available in times of state-level fiscal decline that do not cut to the heart of core operations.



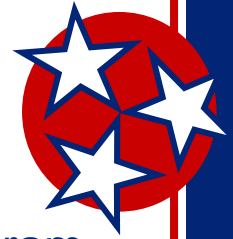
Conclusions



- American higher education has traditionally prided itself on the goal of providing universal access to all students. While this goal remains of paramount importance, colleges and universities must begin to strategically re-examine their mission and operating premises if they are to remain viable.
- In this era of post-massification, we are beginning to see a new managerial approach, one in which higher education invests in areas that will thrive in future markets. With little prospect of future revenue growth from traditional sources such as state appropriations, higher education must re-examine the panoply of programs, services, and operations to identify revenues for reallocation.



Conclusions



- Unless higher education is able to come to grips with exponential program growth and tuition, it may fall victim to the same federal pressure that has been placed on the health care industry.
- Unless higher education can contain costs and protect quality, it will continue to suffer a loss of public trust and will increasingly fall under the manipulative watch of legislative and executive officials.
- The decades of shifting the funding responsibility away from state appropriations and towards students' resources have not been the result of a well planned or thoughtful policy discourse.
- Given the critical role that higher education plays as a facilitator of human capital development, policymakers must remain reticent to the diverse needs of all students requesting access to post-secondary education. Unless careful and deliberative measures are taken to protect affordability, higher education may become nothing more than an unaffordable and unrealistic dream for many Americans.





Questions?

